

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01
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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 9288
INFO TREASURY WASHDC

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E.O. 11652: N/A
TAGS: EFIN MX
SUBJC NEW SILVER COIN

1. SUMMARY: AS PROMISED IN HIS DECEMBER 1 SPEECH
LOPEZ-PORTILLO HAS PROPOSED A LAW THAT WOULD PERMIT
MINTING OF A 100 PESO COIN CONTAINING 20 GRAMS OF SILVER.
WHILE SOME VIEW THIS AS A GIMMICK, OTHERS MAINTAIN IT WOULD
HAVE SIGNIFICANT PSYCHOLOGICAL IMPORTANCE IN A COUNTRY WHERE
SILVER HAS PLAYED SUCH A LARGE ROLE. END SUMMARY.

2. ON DECEMBER 17, TREASURY SECRETARY ANNOUNCED THE
PROPOSED AMENDMENT TO MEXICO'S MONETARY LAW THAT WOULD
PERMIT MINTING A 100 PESO COIN THAT WOULD CONTAIN 20 GRAMS
OF PURE SILVER AND WEIGHT 27.777 GRAMS. THE BALANCE OF THE
COIN WILL BE COPPER. THE COINS SHOULD BE PUT INTO
CIRCULATION EARLY IN 1977.

3. WE CALCULATE THAT THE MARKET VALUE OF THE SILVER WOULD
BE ROUGHLY 2.80 OR ABOUT 56 PESOS. THE GOVERNMENT
THEREFORE STANDS TO MAKE A SUBSTANTIAL PROFIT ON THE
COINS. AS LONG AS THE METAL'S VALUE REMAINS
BELOW THE FACE VALUE, THEY MAY STAY IN CIRCULATION.

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4. SOME OBSERVERS HAVE CALLED THE IDEA OF MINTING
SILVER COINS A GIMMICK THAT WILL MERELY DRAIN SAVINGS
INTO MATTRESSES. THIS PRESUMED THAT THE SILVER VALUE
OF THE NEW COINS WOULD EQUAL THE FACE VALUE WHICH IS
NOT THE CASE AT THE PRESENT TIME. OTHER OBSERVERS
MAINTAIN THE SCHEME SHOULD HELP RESTORE SOME DEGREE OF

CONFIDENCE IN THE CURRENCY SIMPLY BECAUSE SILVER HAS
PLAYED SUCH A MAJOR ROLE IN MEXICO'S HISTORY AND IN
ITS CURRENCY.

5. SILVER COINAGE WAS PROMISED IN JLP'S DECEMBER 1
SPEECH AS ONE OF TWO SPECIFIC MEASURES TO COUNTER THE
"DOLLARIZATION" OF THE MEXICAN ECONOMY. THE OTHER
MEASURE WAS TO BE INDEXED BONDS, BUT NO SPECIFICS
ON THIS HAVE BEEN ANNOUNCED.
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Message Attributes

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